

# **EXHIBIT A**

Date: 23 January, 2006

The Directors  
Bear Stearns High Grade Structured Credit Strategies Master Fund Limited  
Walkers SPV Limited  
Walkers House  
PO Box 908GT  
Mary Street  
George Town  
Grand Cayman  
Cayman Islands

Dear Sirs,

~~I, Joan Kehoe, Director of Bear Stearns High Grade Structured Credit Strategies Master Fund~~  
Limited ("the Company") HEREBY RESIGN my office as Director of the Company with  
effect from the date of this letter.

I hereby acknowledge that I have no claim of any nature or kind whatsoever against the  
Company, including without limiting the generality of the foregoing, any claim for Directors'  
salary or fees or for compensation for loss of office or for repayment of loans and I hereby  
forever release the Company from any liability whatsoever in respect thereof.

Yours faithfully

  
Joan Kehoe

# **EXHIBIT B**

**Regan, Michael (SEC)**

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**From:** Farley, Marisol (Exchange)  
**Sent:** Tuesday, January 24, 2006 8:14 AM  
**To:** Bierbaum, Richard (Exchange)  
**Subject:** RE: PTL

Chip,

In order for Tara's approvals to be valid you must attach the principal trade letter to the email in addition to the trade detail spreadsheet you normally send.

Jessica has an electronic version of the letter.

Marisol

-----Original Message-----

**From:** Bierbaum, Richard (Exchange)  
**Sent:** Monday, January 23, 2006 5:15 PM  
**To:** 'Tara.Murphy' [REDACTED] Farley, Marisol (Exchange)  
**Subject:** PTL

Richard L. Bierbaum  
High Grade Structured Credit Strategies  
Bear Stearns Asset Management  
383 Madison Avenue, 28th Fl.  
NY, NY, 10179  
[REDACTED]

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11/11/2007

# EXHIBIT C

## Cioffi - Principal Transactions

		2006	2005	2004	2003	2002	2001	2000
<b>Number of Transactions</b>								
<b>Transactions Reported by Portia</b>		1,164	1,810	1,062	145	N/A	N/A	N/A
<b>Future</b>		(612)	-	(13)	-			
<b>Repo</b>		(7)	-	(1)	-			
<b>Mature Long</b>		(3)	(2)	-	-			
<b>No External Investors</b>		-	-	-	-			
<b>Tracking Account</b>		-	-	-	(2)			
<b>Data Upload Discrepancy</b>		-	-	-	-			
<b>Agency</b>		(33)	-	-	-			
<b>Principal Transaction Population</b>		342	1161	730	100			
<b>Principal Transaction Population</b>								
<b>With Consent Letters</b>	<b>Number</b>	262	1065	685	97			
	<b>Percent of Population</b>	76.61%	91.73%	93.84%	97.00%			
<b>Without Consent Letters</b>	<b>Number</b>	80	96	45	3			
	<b>Percent of Population</b>	23.39%	8.27%	6.16%	3.00%			
<b>Consent Letters Sent</b>								
<b>Number of Letters Sent</b>	<b>On or Before Settlement Date</b>	75	511	551	88			
	<b>After Settlement Date</b>	187	554	134	9			
<b>Percentage of Letters Sent (out of PT Population)</b>	<b>On or Before Settlement Date</b>	21.93%	44.01%	75.48%	88.00%			
	<b>After Settlement Date</b>	54.68%	47.72%	18.36%	9.00%			
<b>Consent Letters Received</b>								
<b>Number of Letters Received</b>	<b>On or Before Settlement Date</b>	72	480	511	82			
	<b>After Settlement Date</b>	190	585	172	15			
<b>Percentage of Letters Received (out of PT Population)</b>	<b>On or Before Settlement Date</b>	21.05%	41.34%	70.00%	82.00%			
	<b>After Settlement Date</b>	55.56%	50.39%	23.56%	15.00%			
<b>Number of Letters Sent on or before Settlement Date, and Received after Settlement Date</b>		3	31	40	6			
<b>Percentage of Principal Transaction Population Without a Letter Received On or Before Settlement Date</b>		78.95%	58.66%	29.73%	18.00%			

BSAM 0009802

# **EXHIBIT D**

**Ettlin, Tobias (Exchange)**

**From:** Tara.Murphy@[REDACTED]  
**Sent:** Thursday, July 13, 2006 9:11 AM  
**To:** Borenkind, Jessica (Exchange)  
**Cc:** Bierbaum, Richard (Exchange)  
**Subject:** Re: BSHGSCS Trade with Bear Stearns - PTL approval required:

approved

"Borenkind, Jessica (Exchange)"

07/13/2006 02:03 PM

To [REDACTED]

cc "Bierbaum, Richard (Exchange)" [REDACTED]

Subject BSHGSCS Trade with Bear Stearns - PTL approval required:

Dear Ms.Kehoe,

This is to advise you that pursuant to the terms of the Confidential Private Placement Memorandum for Bear Stearns High-Grade Structured Credit Strategies Master Fund, Ltd. (the "Fund"), dated August 2003, Bear Stearns Asset Management Inc. (the "Investment Adviser") proposes to transact, on behalf of the Fund, in the security (ies) described on the attached page (the "Securities") with Bear, Stearns & Co. Inc., an affiliate of the Investment Adviser.

In connection with the proposed transactions, the Investment Adviser hereby certifies that (i) the purchase or sale of the Securities was consistent with the Fund's investment guidelines, (ii) the apurchase or sale of the Securities was in the Fund's best interest, (iii) the purchase or sale terms and the terms of any purchase financing have been negotiated at arm's-length between the Investment Adviser and Bear, Stearns & Co. Inc. and (iv) all such terms are normal commercial terms and are at least as favorable to the Fund as those available for the same Securities from brokers other than Bear, Stearns & Co. Inc. (or, if no other brokers actively trade in such Securities, the price(s) to be received by the Fund for such Securities is competitive with the prices paid or received by other purchasers or sellers for similar securities in comparable transactions at approximately the same time).

The Investment Adviser hereby requests your consent to the purchase or sale of such Securities from Bear, Stearns & Co. Inc. by responding in the affirmative via email.

Very truly yours,

**BEAR STEARNS HIGH-GRADE STRUCTURED CREDIT STRATEGIES MASTER FUND, LTD.**

By: Joanmarie Pusateri

Authorized Signatory

8/23/2006



TRADE DATE	TRAN TYPE	SECURITY NAME	SECURITY DESCRIPTION	SETTLE DATE	QUANTITY (UNITS)	TRAN PRICE	TOTAL AMOUNT
1/18/2006	Buy	07393N9D3	BS CDS IBOXX HYV FXD	1/19/2006	50,000,000.00	98.62	49,349,024.00
1/26/2006	Sell Shor	07393N9H4	BS CDS AXLE FXD	1/27/2006	-2,000,000.00	100.00	2,000,000.00
1/27/2006	Buy	07391A9D3	BS CDS IBOXX HYV FXD	1/28/2006	50,000,000.00	98.95	49,522,176.50
1/30/2006	Sell Long	07394B9D8	BS CDS HVOL4 FXD	1/30/2006	25,000,000.00	99.06	24,791,932.50
1/17/2006	Buy	25199Y9V7	BS IBOXX HY 5 PAYOUT 1/17/06	1/17/2006	10,000,000.00	99.19	9,919,147.00
1/20/2006	Buy	07394A9C2	BS JPY IR SWAP 1.60375% 01/24/16	1/24/2006	1,800,000,000.00	100.00	1,800,000,000.00
1/20/2006	Buy	07394A9F5	BS IR SWAP 6M JPY LIBOR 01/24/08	1/24/2006	8,500,000,000.00	100.00	8,500,000,000.00
1/20/2006	Sell Shor	07394A9D0	BS IR SWAP 6M JPY LIBOR 01/24/16	1/24/2006	1,800,000,000.00	100.00	1,800,000,000.00
1/20/2006	Sell Shor	07394A9E8	BS JPY IR SWAP 0.345% 01/24/08 FX	1/24/2006	8,500,000,000.00	100.00	8,500,000,000.00
2/9/2006	Sell Shor	07393B9B3	BS CDS ABX.HE.BBB.06-1 FXD	2/8/2006	-25,000,000.00	100.13	25,052,638.89
2/9/2006	Buy	07393P9B2	BS CDS IBOXX HYV FXD	2/10/2006	100,000,000.00	98.95	99,077,894.00
2/14/2006	Sell Shor	07393P9D8	BS CDS IBOXX HYV FXD	2/15/2006	-100,000,000.00	98.72	98,861,197.00
2/14/2006	Mature Lo	07393K9V9	BS CDS GMAC FXD	2/20/2006	30,000,000.00	100.00	30,000,000.00
2/16/2006	Sell Shor	07393P9H9	BS CDS IBOXX X0. FXD	2/22/2006	-25,000,000.00	99.36	24,929,652.64
2/17/2006	Cover Sho	07393N9L5	BS CDS IBOXX HYV FXD	2/22/2006	-50,000,000.00	99.06	49,608,942.50
2/17/2006	Cover Sho	07393P9F3	BS CDS CCU FXD	2/22/2006	-5,000,000.00	100.39	5,020,139.44
2/17/2006	Sell Shor	07393P9L0	BS CDS CMCSAcabl FXD	2/24/2006	-10,000,000.00	100.00	10,000,000.00
2/20/2006	Buy	07393P9P1	BS CDS IBOXX HYV FXD	2/28/2006	100,000,000.00	98.99	99,162,232.00
2/21/2006	Buy	07395A9D9	BS S15HOME IDX TR 3MLR-38 3/2/07	3/2/2006	2,500,000.00	100.00	2,500,000.00
2/21/2006	Sell Shor	07393P9N6	BS CDS CBS FXD	2/28/2006	-10,000,000.00	100.00	10,000,000.00
2/21/2006	Sell Shor	07393P9R7	BS CDS IBOXX HYV FXD	3/1/2006	-100,000,000.00	98.84	99,016,442.00
2/21/2006	Sell Shor	07393P9T3	BS CDS GMAC FXD	3/1/2006	-5,000,000.00	100.00	5,000,000.00

8/23/2006

2/27/2006	Sell Shor	SPU6C13	S&P 500 VOL CALL 13% 09/15/2006 B	2/16/2006	-100,000.00	1.60	160,000.00
2/27/2006	Buy	07393N9N1	SP500 VAR SWAP 14.6 1/19/07 BS FL	2/14/2006	41,095.89	213.16	8,760,000.00
2/27/2006	Buy	07393N9O9	SP500 TOP 50 (1) VAR SWAP 1/19/07	2/14/2006	17,294.76	580.31	10,036,299.18
2/27/2006	Buy	07393N9Q4	SP500 TOP 50 (1) COR SWAP 1/19/07	2/14/2006	200,000.00	31.35	6,270,000.00
2/28/2006	Buy	07395A9B3	SP500 VAR SWAP 15.2 12/21/07 BS F	2/23/2006	3,289.47	231.04	760,000.00
3/6/2006	Buy	07395A9F4	BS XBD IDX TR SWAP 3MLR-50bp 3/9/	3/9/2006	2,500,000.00	100.00	2,500,000.00
3/8/2006	Sell Shor	07393Q9B0	BS CDS AT FXD	3/9/2006	-10,000,000.00	100.00	10,000,000.00
3/8/2006	Sell Long	07395A9D9	BS S15HOME IDX TR 3MLR-38 3/2/07	3/13/2006	2,500,000.00	100.00	2,503,393.58
3/10/2006	Sell Long	07394B9F3	BS CDS HVOL5 FXD	3/11/2006	100,000,000.00	99.98	100,170,481.00
3/13/2006	Buy	07393Q9D6	BS CDS IBOX HYV FXD	3/14/2006	100,000,000.00	100.12	100,322,107.33
3/16/2006	Sell Shor	07393N9V3	BS CDS WY FXD	3/17/2006	-5,000,000.00	100.00	5,000,000.00
3/20/2006	Buy	07394B9G1	BS XO5 Payout on DCN 3/31/2006	3/31/2006	714,500.00	74.94	535,412.72
3/20/2006	Mature Lo	07393H9B0	BS CDS GMAC FXD	3/20/2006	50,000,000.00	100.00	50,000,000.00
3/21/2006	Cover Sho	06050B9D5	BOA CDS LTD FXD	3/22/2006	-5,000,000.00	99.87	4,993,719.86
3/28/2006	Buy	07393Q9F1	BS CDS KRI FXD	3/29/2006	5,000,000.00	100.00	5,000,000.00
3/28/2006	Sell Shor	07393Q9H7	BS CDS RRD FXD	3/29/2006	-5,000,000.00	100.00	5,000,000.00
3/31/2006	Buy	07393Q9J3	BS CDS CDX X0.6 190 FXD	4/1/2006	25,000,000.00	100.58	25,158,873.14
3/31/2006	Sell Shor	07393Q9L8	BS CDS CVS FXD	4/1/2006	-10,000,000.00	100.00	10,000,000.00
3/31/2006	Buy	38259P508	GOOGLE INC-CL A	4/5/2006	7,000.00	387.00	2,709,000.00
3/20/2006	Mature Lo	07393F9S7	BS AW SWAP FXD	3/20/2006	5,000,000.00	100.00	5,000,000.00
3/20/2006	Mature Sh	07393F9T5	BS AW SWAP FLT	3/20/2006	5,000,000.00	100.00	5,000,000.00
3/9/2006	Sell Shor	SPM6C1276	BS S&P 500 VOL CALL 12.75% 06/16/	3/9/2006	-50,000.00	1.50	75,000.00
3/9/2006	Sell Shor	SPM6P1275	BS S&P 500 VOL PUT 12.75% 06/16/2	3/9/2006	-50,000.00	1.50	75,000.00
3/6/2006	Sell Shor	07395A9E7	BS XBD IDX TR SWAP 03/09/07	3/9/2006	-11,232.06	222.58	2,500,000.00
3/8/2006	Cover Sho	07395A9C1	BS S15HOME IDX TR SWAP .0059 3/2/	3/13/2006	-2,909.68	796.88	2,318,657.32
			SP500 VAR SWAP				

8/23/2006

3/14/2006	Buy	07395A9G2	15.1 05/18/07 BS	10/20/2006	6,622.52	228.01	1,510,000.00
3/21/2006	Buy	07395A9J6	SP500 VAR SWAP 14.1 12/15/06 BS F	5/18/2006	3,546.10	198.81	705,000.00
3/27/2006	Buy	25198A9T5	SP500 VAR SWAP 15 12/15/06 BS FLT	10/20/2006	8,333.33	225.00	1,874,999.99
4/10/2006	Sell Shor	07393Q9J3	BS CDS CDX X0.6 190 FXD	4/19/2006	25,000,000.00	100.88	25,258,740.14
4/11/2006	Buy	38259P508	GOOGLE INC CL A	4/7/2006	2.00	400.30	800.57
4/11/2006	Sell Long	24702R101	DELL INC	4/26/2006	32,000.00	27.25	872,000.00
4/11/2006	Cover Sho	07393I9T9	BS INT RATE SWAP FLT 1MO LIBOR 11	4/28/2006	19,835,000.00	100.00	20,023,382.91
4/11/2006	Cover Sho	07393I9S1	BS INT RATE SWAP FXD 4.43193% 11/	4/28/2006	-19,835,000.00	95.25	19,290,072.91
4/21/2006	Buy	SXYRA	S&P 500 1305 06/15/06 PUT	4/26/2006	140.00	20.00	280,000.00
4/25/2006	Buy	SPM6C1275	BS S&P 500 VOL CALL 12.76% 06/16/	4/28/2006	-50,000.00	1.40	70,000.00
4/25/2006	Buy	SPU6C13	S&P 500 VOL CALL 13% 09/15/2006 B	4/28/2006	-100,000.00	1.55	155,000.00
4/27/2006	Buy	07395A9O5	SP500 COR SWAP 29.1 06/15/07 BS F	4/4/2006	200,000.00	29.10	5,820,000.00
4/28/2006	Cover Sho	25198A9X6	S&P 500 VAR SWAP 13 09/15/06 BS F	7/21/2006	1,923.08	169.00	325,000.00
4/28/2006	Cover Sho	25198A9Z1	S&P 500 VAR SWAP 14.2 01/19/07 BS	10/20/2006	5,281.69	201.64	1,064,999.99
4/28/2006	Cover Sho	07395A9Q0	SP 500 VAR SWAP 14.2 03/16/07 BS	9/15/2006	3,521.13	201.64	709,999.99
5/15/2006	Sell Shor	07393R9F9	BS CDS PHM FXD	5/16/2006	-5,000,000.00	100.00	5,000,000.00
5/17/2006	Sell Shor	59018V9H2	BS CDS ABX.HE.BBB- .06-1 FXD	5/17/2006	-25,000,000.00	101.53	25,423,604.17
5/18/2006	Sell Shor	07393R9P7	BS CDS FHLT 2005-B M10.FXD	5/23/2006	-5,000,000.00	100.00	5,000,000.00
5/22/2006	Sell Shor	07394B9J5	BS CDS ABX.BBB-.06- 1 FXD	5/22/2006	-15,000,000.00	101.25	15,217,537.50
5/24/2006	Sell Shor	07393R9V4	BS CDS SAST 2005-2 B3 FXD	5/29/2006	-1,000,000.00	100.00	1,000,000.00
5/24/2006	Sell Shor	07393R9X0	BS CDS RASC 2005- KS3 M10 FXD	5/29/2006	-1,000,000.00	100.00	1,000,000.00
5/25/2006	Cover Sho	07391A9B7	BS CDS BSCMS 2004- PWR6 G FXD	5/31/2006	-5,000,000.00	101.25	5,066,261.67
5/25/2006	Cover Sho	07392D9B0	BSCMS 04-PWR6 G BS CDS FXD	5/31/2006	-7,500,000.00	101.70	7,633,305.00
5/30/2006	Sell Shor	07393S9D2	BS CDS TRB FXD	5/31/2006	-5,000,000.00	100.00	5,000,000.00
5/30/2006	Cover Sho	07393S9D2	BS CDS TRB FXD	5/31/2006	-5,000,000.00	99.87	4,993,495.55
	Sell		PHELPS DODGE				

8/23/2006



5/15/2006 Long	717265102	CORP	5/18/2006	50,000.00	89.60	4,479,862.47
5/1/2006 Buy	25198B9D8	SP500 VAR SWAP 13.2 01/19/07 BS F	5/1/2006	1,893.94	174.24	330,000.00
5/9/2006 Buy	07395A9U1	SP400 VAR SWAP 15.5 09/15/06 BS F	5/9/2006	3,225.81	240.25	775,000.01
5/9/2006 Sell Long	07393N9O9	SP500 TOP 50 (1) VAR SWAP 1/19/07	5/12/2006	345.90	547.65	189,429.17
6/6/2006 Cover Sho	07393S9W0	BS USD IR SWAP 5.575% 06/07/16 FX	6/7/2006	-6,000,000.00	100.00	6,000,000.00
6/12/2006 Sell Long	07393S9T7	BS CDS CDX 06.11 FXD	6/9/2006	-250,000,000.00	99.78	249,676,694.72
6/14/2006 Sell Long	07393S9T7	BS CDS CDX 06.11 FXD	6/15/2006	-250,000,000.00	99.72	249,534,406.39
6/20/2006 Buy	07393T9F5	BS CDS GCI FXD	6/22/2006	-10,000,000.00	100.00	10,000,000.00
6/20/2006 Buy	07393T9H1	BS CDS GMAC FXD	6/22/2006	-10,000,000.00	100.00	10,000,000.00
6/21/2006 Buy	07393T9J7	BS CDS HY6 FXD	6/24/2006	-10,000,000.00	98.69	9,872,583.33
6/21/2006 Sell Shor	07393T9L2	BS CDS HY6 FXD	6/24/2006	-5,000,000.00	98.75	4,939,416.67
6/26/2006 Sell Shor	07394B9P1	BS CDS CDX XO.6 190 FXD	6/30/2006	-25,000,000.00	99.64	24,922,224.69
6/26/2006 Sell Long	74927FAA9	RBS 6.29875	6/15/2006	45,000,000.00	100.85	45,931,541.10

\*\*\*\*\*  
 Bear Stearns is not responsible for any recommendation, solicitation, offer or agreement or any information about any transaction, customer account or account activity contained in this communication.

Bear Stearns does not provide tax, legal or accounting advice. You should consult your own tax, legal and accounting advisors before engaging in any transaction. In order for Bear Stearns to comply with Internal Revenue Service Circular 230 (if applicable), you are notified that any discussion of U.S. federal tax issues contained or referred to herein is not intended or written to be used, and cannot be used, for the purpose of: (A) avoiding penalties that may be imposed under the Internal Revenue Code; nor (B) promoting, marketing or recommending to another party any transaction or matter addressed herein.  
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8/23/2006

# **EXHIBIT E**

From: Tannin, Matthew (Exchange)  
Sent: Wednesday, September 06, 2006 8:44 AM  
To: Cioffi, Ralph (Exchange)  
Subject: RE: KLIO and the MLP


Great. That will be helpful!!

-----Original Message-----

From: Cioffi, Ralph (Exchange)  
Sent: Wed Sep 06 08:22:48 2006  
To: Tannin, Matthew (Exchange)  
Subject: RE: KLIO and the MLP

Yes good luck with the shoulder. I have an admin asst that Im interviewing for the 3 of us. She'll be here when you get in you can meet her then. I like her

---

Ralph R. Cioffi  
Senior Managing Director  
Bear Stearns Asset Management  
High Grade Structured Credit Strategies L.P.  
383 Madison Ave. NY, NY. 10179  


-----Original Message-----

From: Tannin, Matthew (Exchange)  
Sent: Wednesday, September 06, 2006 8:19 AM  
To: Cioffi, Ralph (Exchange)  
Subject: RE: KLIO and the MLP

Good points. I appreciate your thoughts. See you soon.

-----Original Message-----

From: Cioffi, Ralph (Exchange)  
Sent: Wed Sep 06 08:13:55 2006  
To: McGarrigal, Raymond (Exchange); Tannin, Matthew (Exchange)  
Subject: RE: KLIO and the MLP

Ill insist on it.

Also I think part of the angst is over the complexity of this transaction allocation rules etc. If we had known about all the allocation issues and the PTL issue with regards to KLIO we would have had angst over KLIO I. I'm fighting hard to keep

Confidential Treatment Requested by Wilmer Cutler Pickering Hale and Dorr LLP

BSAM 0007846

our entrepreneurial spirit and drive against the backdrop of the BSAM bureaucracy and regulations. I'm not arguing against all of that I know its required and its smart but I want it both ways, conform but not compromise on what got us here.

Ralph R. Cioffi  
Senior Managing Director  
Bear Stearns Asset Management  
High Grade Structured Credit Strategies L.P.  
383 Madison Ave. NY, NY. 10179  


-----Original Message-----

From: Moganigal, Raymond (Exchange)  
Sent: Wednesday, September 06, 2006 7:58 AM  
To: Cioffi, Ralph (Exchange); Tannin, Matthew (Exchange)  
Subject: RE: KLIO and the MLP

I would be very happy if you could lock up the Stone Tower PE under the same terms as us. That would make the interests aligned. As far as KLIO, we'll see on the reinvestment side. We'll start working today to get the spread test lowered in KLIO 1 and 2. I'm sold on the decreasing our equity exposure part and the upside from an IPO I just don't want to be in a weaker position than our partners. If you can lock them up with us that solves a big issue for me.

-----Original Message-----

From: Cioffi, Ralph (Exchange)  
Sent: Wednesday, September 06, 2006 6:44 AM  
To: Tannin, Matthew (Exchange); Moganigal, Raymond (Exchange)  
Subject: RE: KLIO and the MLP

All good points and questions and God knows I've questioned this transaction a dozen times in the past 3-6 mos. Partly because I questioned the benefits and partly because I questioned the time and effort we were expending and lastly questioning Stone Towers benefits versus ours.

Ray as it relates to your points on mgmt fees. We are retaining 100% of the 6 bpts as you know and the initial mgmt fees are being split 80-20 with new (IPO) money raised split 55-45 so I think at the end of the day the mgmt fees are pretty equitable. I think that given the fact that on a going basis Stone Tower is willing to create 3a7 equity and forgo an AM fee to create assets for the MLP this is an important contribution and clearly worth having them be our mgmt partners. Also given the fact that any loan deals going forward such as a loan warehouse or synthetic CLO that we invest in will need their loan expertise is another value add to the MLP. As it relates to your question about not being able to supply KLIO with all of its asset going forward because we don't own 100% of the equity. I have a much different view on this than you.

Confidential Treatment Requested by Wilmer Cutler Pickering Hale and Dorr LLP

BSAM 0007847

At the end of the day it does not matter that much in that by taking assets out of the hedge fund to supply KLIO with assets we are raising cash for the HF that has to be reinvested. This requires us to go into the street and buy new issue or secondary paper at the then current spreads. So at the end of the day it's the old 6 of one 1/2 doz. Of another argument, economically it does not matter. (What we do need to do ASAP is seek a vote to reduce the WAS test and to increase our synth ABS CDO bucket.)

Stone Tower's ability to sell their shares.

What I'm going to do is insist that Stone Tower PE not be able to sell until we are able to sell that should solve that issue.

Here are the benefits as I see them:

1. Increased liquidity for the HF from the injection of \$200M of cash and reduction in CDO equity positions.  
2. Significant upside from the IPO in the form of liquidity and mark to market gain. The bankers estimate a 1.2-1.3X on the IPO based upon a dividend yield of 10% this could add 4-5% net to our yr.


3. Significant upside to our HF in the form of risk free AM fees paid to the HF as the MLP grows. \$5M if the IPO raises \$400M  
4. Potential for net AM fees to BSAM once we liquify investors out of the MLP.

5. We are creating a \$140M AA3/AA CDO<sup>A</sup> at L<sup>A</sup> from a bunch of BBB and A CDO's so we are increase the ROC on these trades because the AA will repo much better than the underlying CDO's.

And we are a structured credit fund and we marketed ourselves as a fund that would engage in capital markets arbitrage here is one of the better arbitrages I've seen in a long time so

Matt I think our investors will appreciate the transaction and will trust our judgment just like they did with KLIO. The other issues you raise about selling shares are all marketing issues for the bankers to deal with. We will want more flexibility they will want us to have less for a period of time, we'll negotiate that point and end up with something that we both can live with. As far as mark to market vol. in owning the shares vs owning the equity I don't see any difference other than we will have an easier time marking Rampart than we do marking all the different positions.

We can discuss when we are all in this morning.

Ralph R. Cioffi  
Senior Managing Director  
Bear Stearns Asset Management  
High Grade Structured Credit Strategies L.P.  
383 Madison Ave. NY, NY. 10179  


—Original Message—

From: Tannin, Matthew (Exchange)  
Sent: Tuesday, September 05, 2006 11:42 PM  
To: Moganigal, Raymond (Exchange); Cioffi, Ralph (Exchange)  
Subject: RE: KLIO and the MLP

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I too have concerns about the MLP.

Question #1 for me is what our investor reaction to this transaction will be. I am concerned that the MLP raises as many questions as it answers - and its potential benefits are balanced by real risks - so from our investors point of view it is not an obvious thing for High Grade to be doing. I would argue that each of the structures we've done so far were much more clearly in line with our core investment strategy.

We are, in essence, repackaging our Klio position - and diluting our investors exposure to Klio - and making it more difficult to run Klio as efficiently.

The two main benefits to investors are - the potential for this to price and trade above book value - and the greater liquidity provided by the public markets. I think both of these are real questions - not that they won't happen - but there is very very little hard data to go on to make the case - so we are putting a lot of very big eggs in one basket - including our "signature egg" Klio - which will become absorbed into a repack within rampart.

Liquidity and permanent capital. Do we know if there are any special disclosure rules we'd have to make were we to want to sell shares? I am worried that any selling by us would raise questions in the minds of other shareholders and create the potential for price volatility. I know from New Castle that investors want to know that management has their money in the deal. This seems at odds with our hope that the MLP will provide greater liquidity to the hedge fund.

Our hedge fund would be completely exposed to public market volatility. If we were to have a problem in just one position that affected a distribution we face unknown price action.

-----Original Message-----

From: Mogarrigal, Raymond (Exchange)  
Sent: Tue Sep 05 22:16:24 2006  
To: Cioffi, Ralph (Exchange); Tannin, Matthew (Exchange)  
Subject: KLIO and the MLP

On my way home tonight I was thinking about KLIO and the MLP and whether or not KLIO is a good asset for the MLP and whether the MLP is good for KLIO. They are arguably the best things we've owned and one of the great things we've done is allow the KLIO to buy assets from the hedge fund. It has given our investors a tremendous bang for the buck. Now as we move them into the MLP we do several things that concern me. One is we give a portion of the management fee stream the return from these entities generate to a third party (Stone Tower). And second we potentially diminish the future returns to the hedge from KLIOs once the IPO happens. This point is arguable if the IPO is successful in that our investors will be getting additional fee stream from the management fees generated by the increase in capital to the MLP. So, my point 2 is difficult to quantify. The third point is we will be managing KLIO differently then we have to date. We will be subject to buying at least some of the bonds for reinvestment in the open market which I think puts KLIO in a lesser position than it is in today.

You can make the argument that our investors are benefiting more from the multiple garnered from the IPO and that this should outweigh all of the other concerns. This is not so clear to me. Certainly, the investors who can liquidate their shares at the time of the IPO are better off but we will be locked up for a much longer time. I think this puts Stone

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BSAM 0007849

Tower's affiliated investors at a distinct advantage to our investors and that doesn't sit well with me. I don't think any affiliated party should be able to sell their shares at the time of the IPO. I can't see why any affiliated party would want to sell at the time of the IPO if the desire is to maximize the value of the MLP. I would think a scarcity of shares in a high yielding vehicle would only increase the multiple which benefits all equally. If Stone Tower affiliates can sell their shares prior to us then I think we put our investors at a tremendous disadvantage. The economic and liquidity benefits are skewed away from our investors. I ask who has the better deal, Our investors or Stone Tower's investors and management team? Does it make sense that the proportion of management fees be adjusted based upon affiliated parties investment in the MLP? For example, if at the IPO date Stone Tower affiliates pull all of their money out of the MLP then Stone Tower receives no management fee from the MLP. If we both pull all of our money out at the same time then the fee structure would shift to a 50/50 split.

I'd love to hear your guys' thoughts.

Ray

# **EXHIBIT F**

**From:** Cioffi, Ralph (Exchange)  
**Sent:** Friday, September 29, 2006 5:55 PM  
**To:** 'Smita Conjeevaram' <[REDACTED]>  
**Subject:** RE: Smita we need the two independent board members to be available for a conf. call with our independent third party evaluator. the reason for this is that the transaction is considered to be a principal transaction for the fund and rampart.

---

yes Smita we have Gilmore and Gilbert so do what we need to do to get them official board members by Tuesday.  
Jeff called to tell me thank goodness.  
Ill send you that list now.

Ralph R. Cioffi

Senior Managing Director

Bear Stearns Asset Management

High Grade Structured Credit Strategies L.P.

383 Madison Ave. NY, NY. 10179

[REDACTED]

[REDACTED]

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**From:** Smita Conjeevaram [mailto:[REDACTED]]  
**Sent:** Friday, September 29, 2006 5:45 PM  
**To:** Cioffi, Ralph (Exchange)  
**Subject:** RE: Smita we need the two independent board members to be available for a conf. call with our independent third party evaluator. the reason for this is that the transaction is considered to be a principal transaction for the fund and rampart.

Ralph: OK. We currently do not have 2 independent board members. I will look into the governance process and get it organized. Is it possible for me to review the marks and the back up on Monday?

FYI - we have received IST's \$50mm.

Do we have a new asset list finalized?

S

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**From:** Cioffi, Ralph (Exchange) [mailto:[REDACTED]]  
**Sent:** Friday, September 29, 2006 5:32 PM  
**To:** Smita Conjeevaram  
**Subject:** Smita we need the two independent board members to be available for a conf. call with our independent third party evaluator. the reason for this is that the transaction is considered to be a principal transaction for the fund and rampart.

*what that means is because I'm selling assets to Rampart and because we are a manager on the deal we need to board to be informed of the transaction in detail and the valuations of the equity pieces. What they will here is the reasonableness of the fair market value process and the assumptions we used in determining fair market value. We need to do it Tuesday.*

Ralph R. Gioffi

Senior Managing Director

Bear Stearns Asset Management

High Grade Structured Credit Strategies L.P.

383 Madison Ave. NY, NY. 10179

[REDACTED]

[REDACTED]

# **EXHIBIT G**



**From:** Crystal, Jim (Exchange)  
**Sent:** Thursday, September 28, 2006 6:26 PM  
**To:** Munish Sood CFA ([REDACTED])  
**Cc:** Farcasiu, Simina (Exchange) <[REDACTED]>  
**Bcc:** Tannin, Matthew (Exchange) <[REDACTED]>; Cioffi, Ralph (Exchange) <[REDACTED]>; Tannin, Matthew (Exchange) <[REDACTED]>; Cioffi, Ralph (Exchange) <[REDACTED]>  
**Subject:** "Reasonableness assessment"  
**Attach:** Rampart Business Description\_#1669021 (7).DOC; Rampart revenue model 9-27-06 tied out.xls; SvS spreadsheet for Munish.xls; Equity Tranche price history to August.xls

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Munish:

Thanks very much for agreeing to provide an oral "reasonableness assessment" of our proposed transaction to the boards of our funds. This will be very helpful to us, and we greatly appreciate it. Attached are three spreadsheets and a Word document that provide background to the transaction (which of course we ask that you keep confidential within Princeton Advisory). These documents are relatively simple when explained, and it would probably be most efficient if we could have a call and talk through them. Given the tight timeframe, it would be great if we could do this tomorrow (Friday) - when would be a good time for a call? Thanks again.

James B. Crystal  
Senior Managing Director  
Bear Stearns Asset Management Inc.  
383 Madison Avenue  
New York, NY 10179  
[REDACTED]

# EXHIBIT H



**From:** Crystal, Jim (Exchange)  
**Sent:** Thursday, September 28, 2006 7:54 PM  
**To:** Tannin, Matthew (Exchange) <[REDACTED]>  
**Subject:** RE: Note to Directors.

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Here's the draft Munish script:

My name is Munish Sood, and I am the Chairman and President of Princeton Advisory Group, Inc. ("Princeton"). I am also responsible for overseeing all of Princeton's CDO ventures.

Princeton is a registered investment advisory firm headquartered in Princeton, NJ, offering fixed income asset management services to institutions, trusts and special purpose vehicles. Princeton was founded in 2002 and currently manages in excess of \$5.3 billion in asset backed securities, mortgage backed securities and leveraged loans.

[Further comments on Princeton's experience in the CDO market, employees, etc.]

As an experienced participant in the CDO market, Princeton was asked to review the process of deriving Rampart's net asset value and to express our views as to the reasonableness and output of this process. In the course of our review, we have had access to BSAM personnel, BSAM's financial model and certain transaction documents. We express no views on the merits of the transaction or its fairness, from a financial point of view, to any party.

Among other things, we have done the following:

- Reviewed details of the following transactions:
    - Formation of Parapet and Rampart
    - Asset transfers from the hedge funds to Parapet and Rampart
    - Sales of interests in Rampart to external investors
  - Reviewed the list of securities to be contributed to Rampart and Parapet (the "Assets")
  - Discussed the characteristics of each Asset with BSAM and corroborated these characteristics for a sampling of these Assets, using Bloomberg, Intex and other data sources
- 
- Reviewed the mark history of the Assets
  - Discussed the methodology BSAM used to value each Asset and the parameters (e.g., CPR, CDR) applied to each in both "base" and "stress" cases
  - Reviewed the cashflows of the Assets
  - Reviewed the structure of Parapet, its collateral and projected cashflows
  - Reviewed the calculation of Rampart's net asset value ("NAV") in BSAM's model

As a result of the above, we conclude that:

- The process used to calculate the NAV of Rampart appears to us to be reasonable
- Accordingly, although we make no representation as to the accuracy of the NAV, we believe it to be reasonable

I would be glad to take your questions.

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**From:** Tannin, Matthew (Exchange)  
**Sent:** Thursday, September 28, 2006 7:52 PM  
**To:** Cioffi, Ralph (Exchange); Crystal, Jim (Exchange)  
**Subject:** Note to Directors.

**Introduction:**

The managers of the Funds propose a structured finance transaction we believe to be in the best interests of our shareholders and limited partners. The purpose of this transaction is threefold: First we intend to monetize approximately 20% of the Funds' current high yielding less liquid positions including the Klio residuals. Second, we will be creating a stand alone vehicle named Rampart (initially 70% owned by the Funds) that we intend to bring public in an IPO. We believe our assets that are repackaged into Rampart will trade at a premium to their current valuation in the private market. Additionally, we believe a publicly traded vehicle will provide greater liquidity for our CDO equity holdings. Third, Rampart will be a permanent capital vehicle that will have ongoing access to the capital markets. The BSAM management team has partnered with another asset manager, Stone Tower Debt Advisors, to manage Rampart. BSAM will receive 60% of the management fees collected for managing Rampart. All fees relating to the Funds' initial contributions will be rebated to Fund and, in addition, BSAM will pass its full 60% share of the ongoing management fees directly to the Funds' thus creating an additional cash flow stream without putting any additional Fund capital at risk.

**Transaction Mechanics:**

It is our intention to raise equity capital for Rampart by listing the company on the New York Stock Exchange. In order to comply with SEC regulations regarding Investment Companies we have created Rampart in a two step process. The Funds will contribute securities directly to Rampart and in addition will contribute securities to an intermediate vehicle that will, in turn, contribute securities to Rampart. The total value of the securities contributed to Rampart by the Funds will be approximately \$549 million. A group of third party investors will contribute cash in the amount of \$154 million. The Funds will take back Rampart shares with a value of \$395 million plus cash of \$154 million.

**Issues:**

Bear Stearns & Co., an affiliate of BSAM will be investing \$25 million of cash directly into Rampart. We have been advised by counsel to treat this transaction as an affiliated transaction. As such we now seek the approval of the Funds' directors. both the directors of Rampart and the Directors of the Funds as to the reasonableness

Matthew Tannin

Bear Stearns High-Grade Structured Credit Strategies

Portfolio Manager

[REDACTED]  
[REDACTED]

# EXHIBIT I

**From:** James Crystal <[REDACTED]>  
**Sent:** Sunday, October 1, 2006 6:40 PM  
**To:** Munish Sood <[REDACTED]>; ddutta <[REDACTED]>  
**Cc:** Cioffi, Ralph (Exchange) <[REDACTED]>; Tannin, Matthew (Exchange) <[REDACTED]>; Crystal, Jim (Exchange) <[REDACTED]>; Farcasiu, Simina (Exchange) <[REDACTED]>  
**Subject:** Possible script for call tomorrow  
**Attach:** Possible Script for Board Call.doc

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Munish/Deboleena:

Attached please find some possible remarks you might consider making on the board call tomorrow. I've tried to reflect as accurately as possible the work I believe you have done, and the conclusions I think you have drawn, but this is not intended to prescribe the remarks you will make. Please alter this document in any way you like, or don't use it at all, if you feel that would be appropriate. Thanks again for all your time and help.

JBC



*This draft script is being provided solely for your convenience and as a possible basis, in whole or in part, for your remarks. Please feel free not to use it at all, or to deviate from it in any way that you consider appropriate.*

**Possible Script for Board Call - DRAFT**

My name is Munish Sood and I am the Chairman and President of Princeton Advisory Group Inc. ("Princeton"). I am also responsible for overseeing all of Princeton's CDO ventures. I am accompanied on this call by my colleague, Deboleena Dutta [details about Deboleena].

Princeton is a registered investment advisory firm headquartered in Princeton, NJ, and offers fixed income asset management services to institutions, trusts and special purpose vehicles. Princeton was founded in 2002 and currently manages in excess of \$5.3 bn in asset backed securities, mortgage backed securities and leveraged loans.

[Further comments about Princeton's experience in the CDO market, employees, etc.]

As an experienced participant in the CDO market, Princeton was asked to review the process of deriving Rampart's net asset value and to express our views as to the reasonableness and output of this process. In the course of our review, we have had access to BSAM personnel, a financial model and other spreadsheets produced by BSAM, and certain transaction documents.

We express no views on the merits of the transaction or its fairness, from a financial point of view, to either party. We also express no view on the fair values of the assets under discussion, since the scope of our work was solely to assess the reasonableness of the valuations of such assets and of the process used to derive such valuations.

In the past, certain funds managed by BSAM (including Bear Stearns Structured Risk Partners, a fund managed by, among others, Ralph Cioffi and Matthew Tannin) have purchased securities in CDOs managed by Princeton. [No transaction involving BSAM and Princeton is currently under discussion.] Princeton has received no compensation for this assessment.

Among other things, we have done the following:

- Reviewed details of the following transactions:
  - Formation of Parapet and Rampart
  - Asset transfers from the hedge funds to Parapet and Rampart
  - Sales of interests in Rampart to external investors
- Reviewed the list of securities to be contributed to Parapet and Rampart (the "Assets")

- Discussed the characteristics of the Assets with BSAM [and corroborated these characteristics for a sampling of the Assets using Bloomberg, Intex and other data sources]
- Reviewed the mark history of the equity/first-loss Assets (the "Equity Pieces")
- Discussed the methodology BSAM used to value each Equity Piece, including the parameters (e.g., CPR, CDR and discount rate) applied to generate cash flows for each in "base" and "stress" cases
- Reviewed a sampling of the above cash flows
- Reviewed the structure of Parapet
- Reviewed the calculation of Rampart's net asset value ("NAV") in BSAM's model

As a result of the above, we conclude that:

- The marks at which the Equity Pieces are being transferred to Parapet and Rampart (the "Transfer Marks") are consistent with their prior mark history as provided to us
- The parameters used to generate the cash flows and net present values for the Equity Pieces are reasonable for the types of securities being analyzed, are generally consistent with market standards, and yield net present values broadly consistent with the Transfer Marks
- The calculations used to derive the NAV of Rampart based on these inputs, as explained to us, are reasonable
- Accordingly, the NAV of Rampart, and the process used to derive it, based on the above, appears to us to be reasonable

We would be glad to answer any questions you may have about the scope of our work and our conclusions.

# EXHIBIT J

**From:** Tannin, Matthew (Exchange)  
**Sent:** Friday, March 30, 2007 11:55 AM  
**To:** Quental, Greg (Exchange)  
**Subject:** RE: Rampart Minutes

This novation will absolutely happen. I just wanted to make sure you knew that. I'll be out next week for [REDACTED] but will be in electronic communication and will be able to keep this novation thing moving forward.

-----Original Message-----

**From:** Quental, Greg (Exchange)  
**Sent:** Friday, March 30, 2007 8:33 AM  
**To:** Tannin, Matthew (Exchange)  
**Subject:** Rampart Minutes

I've resurfaced and larry brought me up to speed. Seems like a lot rides on the minutes. Can you send me those. I'm out of office today but on email all day. Thanks.



# **EXHIBIT K**

**From:** Cioffi, Ralph (Exchange)  
**Sent:** Saturday, April 14, 2007 4:11 PM  
**To:** 'greg parseghian'  
**Cc:** 'Smita Conjeevaram'  
**Subject:** novation of cds hedges

Greg one important point that I would like to make and that is that we did not violate nor circumvent any affiliated trade protocol with regards to the cds positions. The procedure in place requires us to have the board of Everquest and the out side board of the hedge fund to sign off on any trade prior to its settlement if it is an affiliated transaction. We are in the process of getting the hf board to sign off on the trade and then Everquests' board. The mistake we made on the part of Everquest was not having robust enough documentation between Everquest and Bear regarding the actual agreement to novate at "cost". That being said Smita and I held a very lengthy call with Corey Cheivers on this point and his conclusion was that there was intent by both parties to enter into the agreement, that there were more than two parties aware of the agreement and that there is enough of a paper trail supporting the intent to transact that he would be comfortable articulating the agreement as a bona vide contract. As it relates to enforcing both parties to consummate the transaction he is comfortable that it is enforceable. The place we fell down on most importantly was with the HF board. As I said that is BSAM's and my problem not Everquest.

I don't think we have to change any procedures or controls as it relates to affiliated transactions in that we have them in place and save for BSAMs bad timing in informing the HF board every thing was being handled according to protocol. (Getting approval from both boards for the affiliated transaction to be completed before settlement.) In any event as I said we will schedule a board call for the week after next to discuss the filing and this issue.

Mr. Ralph Cioffi

Senior Managing Director.

Bear Stearns Asset Management

383 Madison Ave. NYC 10167



# **EXHIBIT L**

**From:** Cioffi, Ralph (Exchange)  
**Sent:** Saturday, April 21, 2007 5:54 PM  
**To:** MLevitt [REDACTED]  
**Subject:** s1 filing and do you want to play tomorrow?

1. Novation. That issue is completely resolved. The HF board has approved the transfer but as I said they will only allow it if BSAM/RRC reimburse the fund for the 1/3<sup>rd</sup> of the mark to market that they don't get back through its 2/3rds ownership in Everquest.

This has no impact on Everquest; Everquest gets the hedges at cost plus the premium that the HF's have paid for the swaps life to date.

2. Effective Date of Swaps for Everquest Accounting. It appears that D&T will allow the swaps to be counted towards the NAV for the 1<sup>st</sup> quarter. They may not be allowable for the 2/28/07 NAV but that is an academic point.

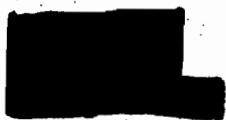
3. Rich Marin is only waiting for an email from D&T stating that the 12/31/06, Everquest financials do not have to be restated to reflect the hedges. D&T has unequivocally stated that the financials do not have to be restated. (That's very good news). Once we get that email BSAM will give the go ahead to file.

Mr. Ralph Cioffi

Senior Managing Director

Bear Stearns Asset Management

383 Madison Ave. NYC 10167



# **EXHIBIT M\***

**BSAM 0002786-0002882 have been redacted.**

**From:** Tannin, Matthew (Exchange)  
**Sent:** Tuesday, May 08, 2007 1:58 AM  
**To:** Cioffi, Ralph (Exchange)  
**Subject:** Rampart Novations

**Attachments:** EHG Sched IV.pdf; EHG Sched I.pdf; EHG Sched II.pdf; EHG Sched III.pdf; HG Sched 3.pdf; HG Sched 1.pdf; HG Sched 2.pdf; BSAM payment.xls

Ralph,

Here is where I am with all of the novations.

Take a look at Schedule III (both of them).

The amount of the BSAM payment is much higher than we thought. I was surprised by this initially. I initially thought the BSAM would reflect the 60% of Everquest the funds own, but the number seems to be higher when one calculates the percentages for each fund separately. Have I missed something?

Take a look at the Excel sheet.

<<EHG Sched IV.pdf>> <<EHG Sched I.pdf>> <<EHG Sched II.pdf>> <<EHG Sched III.pdf>> <<HG Sched 3.pdf>> <<HG Sched 1.pdf>> <<HG Sched 2.pdf>> <<BSAM payment.xls>>

I'm frustrated and tired.

Matthew Tannin  
Senior Managing Director  
Bear Stearns Asset Management



	A	B	C	D	E
1 High Grade					
2 Enhanced		10,302,848	39.20%	60.80%	64.39%
3 Rampart		5,697,154	21.68%		35.81%
4 NAV		26,263,281			1
5 Swaps		20,217,803			
6 Hg % of Rampart			60.88%	Swap Value	
7 Value on 8/28		1,347,019			
8 Interest Payments Made		3,025,112			
9					
10					
11					
12					
13					
14 FUNDS					
15					
16 Assignment of Swaps on May 3rd					
17 Fund NAV decreases by the market value of the swaps		20,217,803	20,217,803	Ramparts NAV increases by the market value of the swaps	
18 Funds NAV increases by % of ownership in Rampart		12,307,628			
19 Net Decrease to Fund		7,910,175			
20					
21 Interest Adjustment					
22 Fund NAV increases by the Aggregate Coupon Payment Amount		3,025,112	3,025,115	Ramparts NAV decrease by the amount of the "Interest credit"	
23 Funds NAV decreases by the % of ownership in Rampart		1,841,543			
24 Net Increase to Fund		1,183,568			
25					
26 Initial Swap Amount					
27 Funds NAV increases by amount of "Initial Value Adjustment"		1,347,019	1,347,019	Ramparts NAV decreases by amount of "Initial Value Adjustment"	
28 Funds NAV decreases by the % of ownership in Rampart		820,000			
29 Net Increase to Fund		527,018			
30					
31 Net Decrease to Funds		6,189,587			
32					
33 Balance Payment		6,189,587			
34					
35					
36					
37 Assignment of Swaps on May 8th					
38 Fund NAV decreases by the Assignment Price		11,036,391		Everquest NAV increases by Assignment Price	
39 Funds NAV increases by 39.2% Assignment Amount		4,326,181			
40 Net Decrease to Fund		6,710,210			
41					
42 Interest Adjustment					
43 Fund NAV increases by the Aggregate Coupon Payment Amount		1,751,588		Everquest NAV decreases by Aggregate Coupon Payment Amount	
44 Funds NAV decreases by 39.2% Aggregate Coupon Payment		686,613			
45 Net Increase to Fund		1,064,985			
46					
47 Initial Swap Amount					
48 Funds NAV increases by amount of "Initial Value Adjustment"		852,128		Everquest NAV decreases by Initial Swap Amount	

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49 Funds NAV decreases by 39.2% Initial Swap Payment			334,027		
50 Net Increase to Fund			518,099		
51					
52 Net Decrease to Funds			5,127,128		
53					
54 Balance Payment			5,127,128		
55					
56					
57 Enhanced					
58					
59 Assignment of Swaps on May 8th			9,181,412		Everquest NAV Increases by Assignment Price
60 Fund NAV decreases by the Assignment Price			1,860,159		
61 Fund NAV increases by 21.68% Assignment Amount			7,191,253		
62 Net Decrease to Fund					
63					
64 Interest Adjustment			1,273,515		Everquest NAV decreases by Aggregate Coupon Payment Amount
65 Fund NAV increases by the Aggregate Coupon Payment Amount			276,047		
66 Funds NAV decreases by 21.68% Aggregate Coupon Payment			897,468		
67 Net Increase to Fund					
68					
69 Initial Swap Amount			494,883		Everquest NAV decreases by Initial Swap Amount
70 Funds NAV increases by amount of Initial Swap Amount			107,273		
71 Funds NAV decreases by 21.68% Initial Swap Amount			387,610		
72 Net Increase to Fund					
73					
74 Net Decrease to Funds			5,806,164		
75					
76 Balance Payment			5,806,164		

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BSAM 0002885

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9,181,412 0.454125113 1.000000008

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499,893 0.36739869

Confidential Treatment Requested by Wilmer Cutler Pickering Hale and Dorr LLP

BSAM 0002886

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# **EXHIBIT N**

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**From:** Tannin, Matthew (Exchange)  
**Sent:** Saturday, May 26, 2007 8:03 AM  
**To:** Cioffi, Ralph (Exchange); McGarrigal, Raymond (Exchange)  
**Subject:** The building of the plan

Part I of II

Two years ago Ralph went to see Bill Gross and came back with the following "Gross" observation: when involved with a trade - look around the room and determine who the chump is - and if the chump is not clear to you - assume it is YOU.

Well - as I sit here thinking through the Cerberus plan that we will present to Cerberus, Warren, Rich Marin and you guys - it is easy for me to see that I am the chump. Consequently I must assume that anything I could possibly think or understand is understood better and faster by the rest of the group.

1. Time is of the essence. The best outcome (by far) is one that we can effectuate quickly. Therefore simplicity is at a tremendous premium (warren has helped us here by insisting on a 7th grade level presentation. We're in luck because Tsvi has agreed to review our proposal - but he's demanded a %).

We have:

- 2 hedge funds (1.5 billion on capital) that are in danger of a wipe out because of a lack of liquidity.
- 1 hedge fund kicking ass (2 and 20 on \$350mm - 20% return and growing)
- Jim & Simina's new idea
- other hedge fund ideas related to structured credit
- DPC
- Everquest
- CDO management
- SIV type things
- a very good team
- almost the necessary systems - but we have the knowledge of what that system is and we are on the road to a solution (this may not sound great - but I believe there is NO ONE out there who has put it all together.

The first thing requires capital - and the next seven things are worth a lot (a detail to be calculated)

The key (of course) is the first thing.

~~I am assuming the deal to do includes both hedge funds. The downside of taking this approach is that cerberus needs to~~  
come up with more cash - and may be scared away. The upside of this approach is that unless we take control of both hedge funds we will be constrained by: (1) investors who are losing patience and may act irrationally, (2) fund docs and guidelines and liquidity that negatively constrain us (3) repo and ISDA counterparties who may be reluctant to be as flexible as they might otherwise be.

So - cerberus (and I must note here that my idea could be "sold" to another cerberus like entity) - will "buy" the HG hedge funds and get the rest (price and value to be determined).

What exactly is cerberus buying - and what price must they pay?

They will be buying the hedge funds which have a certain value that can't currently be monetized because of market illiquidity.

What exactly can be monetized - and how quickly? (this is the warren question) - I guess this would have to be done for both funds

Let's forget about upside for a moment.

1. Most liquid -

- All ABX hedges -
- All corporate cds
- All Soms's stuff
- All treasuries

2. CIRC. -

- sell it - or
- re-package into CDO

3. Liquid CDO's

- sell - how much time - how much capital raised
- re-package into CDO equity

4. Less liquid CDOs

- sell - how much time - how much capital
- what are the re-pack options

5. CDO equity

6. Everquest

- (is there any value to "CDOing" as much as possible and rolling that into Everquest? Another "sale" of assets for shares?). If cerberus is going to be one large shareholder of Everquest - is there a "best" size of Everquest?). Is this the best liquidity strategy?

Asset types 1-6 have a value and liquidity profile.

7. CDO^ - and single name hedges

This is the problem. There is simply no market. Too many variables. So you can't sell because the only bid would be below someone's educated low ball guess. - and this goes for both the longs and shorts -

But there is another solution. We can construct a package - that is really a "synthetic sale". The risk is hedged - but the capital would be tied up for a certain time.

This is really the key to the deal. How much capital do you need to tie up - and for how long? This is really part of the "cost" of getting the other assets.

# EXHIBIT O



**From:** Cioffi, Ralph (Exchange)  
**Sent:** Thursday, May 31, 2007 11:47 PM  
**To:** Tannin, Matthew (Exchange)  
**Subject:** RE: [REDACTED]

Its helpful to keep going over it I'm with you on that. The way we shore up HG is to sell the Everquest shares (mike Levitt is very interested) unwind circ and sell the CDO fees that raised almost \$300M cash. Then HGS is home free. That plus Cerberus and its home free.

I tried that tack with Concord and it did not work. I did show [REDACTED] by asset class where we lost money by going over the front pages for Jan Feb and March. They want to see April just to see the trend. I don't think I want to go over position by position anymore.

Mr. Ralph Cioffi  
Senior Managing Director  
Bear Stearns Asset Management  
383 Madison Ave. NYC 10167  
[REDACTED]

-----Original Message-----

**From:** Tannin, Matthew (Exchange)  
**Sent:** Thursday, May 31, 2007 10:08 PM  
**To:** Cioffi, Ralph (Exchange)  
**Subject:** RE: [REDACTED] Information

I was also thinking that it might be helpful to show where the losses have come from - i.e. How many bonds are responsible for the losses we've suffered. On the one hand it focuses attention on how bad these bonds have become - and will cast doubt upon our initial strategy where we leveraged these bonds so much - but on the other hand - it might explain the large loss - that it was the result of what amounts to a single very bad decision - after we'd made so many good ones. And this might bolster our argument that there is a way to make money now - and that we're going to do it.

I think with cerberus and a credible plan that differentiates the future from the past we have a shot at retaining money.

We might also waive all performance fees for three years or something - reducing the cost of staying put.

And if we could figure a way to roll high grade into the deal - it would make the whole thing MUCH easier to maneuver.

I know I'm not telling you anything you don't know - but - well - I guess it makes me feel better to keep going over this in the hopes I'll have a new twist.

-----Original Message-----

**From:** Cioffi, Ralph (Exchange)  
**Sent:** Thursday, May 31, 2007 09:46 PM Eastern Standard Time  
**To:** Tannin, Matthew (Exchange)

Subject: RE: [REDACTED] Information

Ah that's correct I think that one deserves a phone call.

Mr. Ralph Cioffi  
Senior Managing Director  
Bear Stearns Asset Management  
383 Madison Ave. NYC 10167  
[REDACTED]

-----Original Message-----

From: Tannin, Matthew (Exchange)  
Sent: Thursday, May 31, 2007 9:38 PM  
To: Cioffi, Ralph (Exchange)  
Subject: RE: [REDACTED] Information

I put in a call to [REDACTED]. The issue is - do we give them the -6.5 april or the larger down april?

-----Original Message-----

From: Cioffi, Ralph (Exchange)  
Sent: Thursday, May 31, 2007 09:22 PM Eastern Standard Time  
To: Dibari, Lynda (Exchange); Tannin, Matthew (Exchange); McGarrigal, Raymond (Exchange)  
Subject: RE: [REDACTED] Information

[REDACTED] has that info we actually don't have it.

Mr. Ralph Cioffi  
Senior Managing Director  
Bear Stearns Asset Management  
383 Madison Ave. NYC 10167  
[REDACTED]

-----Original Message-----

From: Dibari, Lynda (Exchange)  
Sent: Thursday, May 31, 2007 4:50 PM  
To: Cioffi, Ralph (Exchange); Tannin, Matthew (Exchange); McGarrigal, Raymond (Exchange)  
Subject: [REDACTED] Information  
Importance: High

I know things have been hectic for you but we are still trying to get [REDACTED] the information they are requesting. They are looking for the front page ("attribution") as well as 3-4 pages on your relative value trade. I believe this was discussed during their meeting last week. If you could let me know how you would like to proceed I would greatly appreciate it. Evan and I have been pushing this off for a few days now.

Thanks in advance,

Lynda